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MELVILLE SHOE CORPORATION

Annual Report

1931

MELVILLE
SHOE CORPORATION

Operating

JOHN WARD MEN'S SHOES

RIVAL SHOE STORES

THOM MCAN

Annual Report
1931

MELVILLE SHOE CORPORATION
555 FIFTH AVENUE, NEW YORK

Top, John Ward store at 555 Fifth Ave., New York City; *center, left to right*, Thom McAn Gold Line stores at 30-66 Steinway Ave., Astoria, L. I., and 104 N. Main St., Memphis, Tenn.; *bottom*, Rival store at 555 Fulton St., Brooklyn, N. Y.

To Our Stockholders:

It gives me pleasure to submit for your consideration the annual report of Melville Shoe Corporation as of December 31, 1931. This report will show that your Corporation at the end of a year marked by generally adverse conditions was in the strongest financial position in its history. Moreover, as will be apparent from a study of the figures, it attained during the period covered by the report to an unusually strong competitive position in the industry.

Total current assets of the Corporation as of December 1, 1931, amounted to $5,602,885.18, as against total current liabilities of $941,625.09, a ratio of 5.95 to 1. On the same date cash on hand and in banks totaled $2,404,145.03, which was more than enough to cover all current liabilities twice over, and represented a gain of roughly Five Hundred Thousand Dollars over the like figure of a year ago. In addition there was paid off during the first quarter the Corporation's only funded debt, a $250,000 mortgage on the new Worcester (Mass.) warehouse.

Dollar sales for the period were $26,286,518.53, a decline of 8.27 per cent from the 1930 figures. Net income, after all taxes and charges, amounted to $945,993.88, which represented earnings of $2.09 per share after the preferred dividends, on the 371,461 shares of common stock outstanding. The number of pairs of shoes retailed by your Corporation during the twelvemonth was 6,470,720. This constituted the largest strictly retail shoe business in America.

To point out that 1931 was a year of momentous happenings in the retail world is to risk emphasizing the obvious. Nevertheless, in the interest of relating cause and effect, it is desired here to refer briefly to some of the problems which confronted our operation. Commodity prices dropped continually. Wages were in process of revision downward. And there was a constantly growing body of unemployed further to intimidate the great mass of consumers, already suffering from a serious lack of confidence, in their purchases of new and replacement goods.

Your Corporation met the challenge of these unfavorable conditions by selling better shoes at lower prices. To do this meant lowering costs drastically in all phases of our operation. Salaries were reduced, graduating downward from the top in such a way as to work a minimum hardship upon incomes in the lower brackets, and touching only slightly the earnings of the selling personnel. Certain functions and departments were either discontinued or merged with others. Store operating efficiency was raised; selling costs correspondingly lowered. And per store inventories, brought to an all-time low following the 10 per cent price reduction inaugurated November 1, 1930, showed a decline of roughly 25 per cent on December 31, 1931, as compared with the previous year's end

figure. Meanwhile substantial rental reductions were secured on a large proportion of your Corporation's leases.

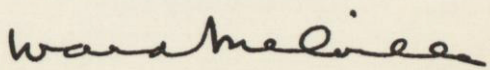
Even more significant, perhaps, was the conversion of all save two of the 38 Traveler women's stores, acquired on April 1, 1930, primarily because of their outstanding locations, into Thom McAn Gold Line stores, which sell women's shoes in addition to men's and boys'. This meant discontinuance of buying, warehousing, advertising and other operating functions for a chain of stores retailing highly styled women's shoes at $5, and the savings, therefore, were both substantial and immediate. Exceptions to the Gold Line conversion were two New York City stores located in especially fine women's shopping centres. These now operate under the trade name Courdaye, and specialize in hand-turned shoes for women at $3.98 and $4.98.

The savings accruing from the retrenchments enumerated above amounted to approximately $600,000 in the last six months of 1931, a considerable achievement. But since the majority of these economies are of a continuing nature, your officers and directors confidently expect them to have an increasingly important bearing upon future profits. Also in this connection you will be interested to learn that on December 1, 1931, we inaugurated further price reductions in the interest of stimulating volume. These new prices, which represent a decline of approximately 20 per cent from the levels obtaining prior to November 1, 1930, confer upon your Corporation an outstanding competitive advantage. Lower leather costs, greater manufacturing efficiencies and notably reduced selling expense permit of their continuance for so long as is deemed advisable, with no impairment to earnings.

The end of the year found your Corporation operating a total of 474 John Ward, Rival and Thom McAn stores, in addition to the two Courdaye units mentioned above. This is a net loss of 4 stores as compared with the number in operation on December 31, 1930. To this total we expect to add during 1932 in accordance as desirable leases at suitable rentals become available.

The Board of Directors has asked me to convey its appreciation to all employees of the Corporation. Without their fine zeal and loyalty, the Company's satisfactory showing in 1931 would have been impossible.

Respectfully submitted,



President

February 27, 1932

OFFICERS

Frank Melville, Jr.
Chairman of the Board

Ward Melville
President

William Fitch Allen
Vice-President

Elbert R. Allen
Treasurer

Joel E. Fisher
Secretary

Cyril J. Richards
Assistant Treasurer

DIRECTORS

Frank Melville, Jr.

Ward Melville

William Fitch Allen

Frederick S. Little

J. Franklin McElwain

Joseph L. Merrill

Harry Eliot Robinson

MELVILLE SHOE CORPORATIO

CONSOLIDATED

As at Dece

ASSETS

Current Assets:		
Cash in Banks and on Hand		$2,404,145.03
Accounts and Notes Receivable, Less Reserve		62,126.59
Inventories, at Cost or Market, whichever is lower		3,136,613.56
Total Current Assets		$5,602,885.18
Accounts of Officers and Employees		5,456.25
Prepaid Insurance, Rents, etc., and Supplies		141,642.39
Investment in and Advances to Broadway Block Corporation	$ 178,465.00	
Less Reserve for Possible Loss	125,000.00	
		53,465.00
Other Investments:		
Life Insurance Policies, Cash Surrender Value	$ 69,927.25	
Stock of Other Companies, at Cost	21,607.20	
		91,534.45
Fixed Assets:		
Land and Buildings, Worcester	$ 781,814.79	
Store and Office Fixtures and Improvements to Leased Store Properties, and Miscellaneous Equipment	4,486,353.55	
	$5,268,168.34	
Less Reserve for Depreciation	2,071,710.19	
		3,196,458.15
Deferred Charges		56,796.48
		$9,148,237.90

N AND SUBSIDIARY COMPANY

BALANCE SHEET

ber 31, 1931

LIABILITIES

Current Liabilities:			
Accounts Payable			$ 737,793.78
Accrued Liabilities			71,602.56
Provision for Federal Income Tax, Estimated			132,228.75
Total Current Liabilities			$ 941,625.09
Accounts of Officers and Employees			27,549.80
Deposits on Sub-leases, and Store Managers' Security Deposits			111,978.58
Reserves for Self-insurance, Store Front Replacements, etc.			87,784.15
Capital Stock:			
6% Cumulative First Preferred Stock, $100.00 par value: Authorized, 50,000 Shares; Issued, 25,000 Shares	$2,500,000.00		
Less 2,257 Shares Retired	225,700.00	$2,274,300.00	
6% Cumulative Second Preferred Stock, $5.00 par value: Authorized and Issued 100,000 Shares	$ 500,000.00		
Less 8 Shares Retired	40.00	499,960.00	
Common Stock, no par value: Authorized, 500,000 Shares; Issued, 371,461 Shares—Declared Value, $1.25 per Share		464,326.25	
			3,238,586.25
Paid-in Surplus			1,110,881.55
Earned Surplus			3,629,832.48
Contingent Liabilities Reported:			
Endorsement of Note of Broadway Block Corporation		$ 125,000.00	
			$9,148,237.90

MELVILLE SHOE CORPORATION AND SUBSIDIARY COMPANY

Combined Profit and Loss Account

For the Year Ended December 31, 1931

Sales			$26,286,518.53
Cost of Sales			17,056,509.52
Gross Profit			$9,230,009.01
Store Operating and General and Administrative Expenses		$7,463,658.22	
Depreciation		539,156.06	8,002,814.28
Net Operating Profit of Stores			$1,227,194.73
Interest Paid	$17,828.14		
Miscellaneous Charges	219,985.46		
		$ 237,813.60	
Less Miscellaneous Income		31,177.29	206,636.31
Net Income of Selling Company			$1,020,558.42
Net Income of R-W Realty Company, Inc.			57,664.21
Combined Net Income, Before Federal Income Tax			$1,078,222.63
Federal Income Tax, Estimated			132,228.75
Net Income			$ 945,993.88
Earned on Amount of Common Shares Outstanding at End of Period After Deducting Preferred Dividends Paid			$2.09

Consolidated Surplus Account

Paid-in Surplus:			
Balance at December 31, 1930		$1,199,946.07	
Less Proper Charges thereagainst		89,064.52	
Balance as at December 31, 1931			$1,110,881.55
Earned Surplus:			
Balance as at December 31, 1930		$3,619,137.74	
Add:			
Net Income for the Year Ended December 31, 1931	$945,993.88		
Discount on Preferred Stock Retired	9,520.00		
Surplus Arising from Lapsed Fractional Certificates	511.98	956,025.86	
		$4,575,163.60	
Deduct:			
Dividends Paid:			
On First Preferred Stock, 6%	$137,190.00		
On Second Preferred Stock, 6%	29,997.07		
On Common Stock, $2.00 per Share	742,922.00		
	$910,109.07		
Loss on Capital Assets Sold or Discarded	28,300.13		
Additional State and Federal Taxes of Prior Periods	6,921.92	945,331.12	
Balance as at December 31, 1931			3,629,832.48
			$4,740,714.03

To the Board of Directors
MELVILLE SHOE CORPORATION
NEW YORK, N. Y.

We have examined the accounts of Melville Shoe Corporation and its subsidiary, R-W Realty Company, Inc., for the year ended December 31, 1931. In our opinion, based on our examination and information furnished to us, the accompanying Balance Sheet and relative Profit and Loss and Surplus Accounts set forth the consolidated financial condition of the Companies as at December 31, 1931, and the results of the operations for the year.

PEAT, MARWICK, MITCHELL & CO.

WORCESTER, MASS.
February 15, 1932

LIST OF STORES
MELVILLE SHOE CORPORATION

As of December 31, 1931

JOHN WARD—12 STORES

New York	9	Newark	1
Brooklyn	1	Philadelphia	1

RIVAL—31 STORES

New York	14	Newark	2
Brooklyn	5	West New York	1
Astoria	1	Baltimore	1
Philadelphia	3	Paterson	1
Jamaica	1	Providence	1
Boston	1		

THOM McAN—431 STORES

Alabama (4)
- Birmingham . . . 2
- Ensley . . . 1
- Mobile . . . 1

Arkansas (1)
- Little Rock . . . 1

Colorado (2)
- Denver . . . 2

Connecticut (16)
- Bridgeport . . . 2
- Danbury . . . 1
- Hartford . . . 2
- Meriden . . . 1
- New Britain . . . 1
- New Haven . . . 3
- New London . . . 1
- Norwich . . . 1
- South Manchester . . . 1
- Torrington . . . 1
- Waterbury . . . 2

Delaware (2)
- Wilmington . . . 2

District of Columbia (4)
- Washington . . . 4

Florida (7)
- Jacksonville . . . 2
- Lakeland . . . 1
- Miami . . . 1
- Pensacola . . . 1
- Tampa . . . 2

Georgia (4)
- Atlanta . . . 2
- Macon . . . 1
- Savannah . . . 1

Illinois (17)
- Chicago . . . 10
- Danville . . . 1
- East St. Louis . . . 1
- Jacksonville . . . 1
- Kankakee . . . 1
- Quincy . . . 1
- Rock Island . . . 1
- Rockford . . . 1

Indiana (10)
- Evansville . . . 1
- Fort Wayne . . . 1
- Gary . . . 1
- Indianapolis . . . 3
- Logansport . . . 1
- Marion . . . 1
- Muncie . . . 1
- Richmond . . . 1

Iowa (2)
- Davenport . . . 1
- Des Moines . . . 1

Kentucky (7)
- Covington . . . 1
- Lexington . . . 1
- Louisville . . . 3
- Newport . . . 1
- Paducah . . . 1

Louisiana (6)
- Baton Rouge . . . 1
- New Orleans . . . 4
- Shreveport . . . 1

Maine (3)
- Lewiston . . . 1
- Portland . . . 2

Maryland (5)
- Baltimore . . . 4
- Cumberland . . . 1

Massachusetts (53)
- Allston . . . 1
- Boston . . . 8
- Cambridge . . . 1
- Charlestown . . . 1
- Chelsea . . . 1
- Dorchester . . . 3
- East Boston . . . 1
- Everett . . . 1
- Fall River . . . 2
- Fitchburg . . . 1
- Gardner . . . 1
- Gloucester . . . 1
- Greenfield . . . 1
- Haverhill . . . 1
- Holyoke . . . 1
- Hyde Park . . . 1
- Lawrence . . . 2
- Lowell . . . 2
- Lynn . . . 2
- Malden . . . 1
- Medford . . . 1
- New Bedford . . . 3
- Norwood . . . 1
- Pittsfield . . . 1
- Quincy . . . 1
- Salem . . . 1
- Somerville . . . 1
- South Boston . . . 1
- Springfield . . . 2
- Taunton . . . 1
- Wakefield . . . 1
- Waltham . . . 1
- Westfield . . . 1
- Woburn . . . 1
- Worcester . . . 3

Michigan (17)
- Detroit . . . 6
- Flint . . . 1
- Grand Rapids . . . 2
- Hamtramck . . . 1
- Highland Park . . . 1
- Jackson . . . 1
- Kalamazoo . . . 1
- Lansing . . . 1
- Muskegon . . . 1
- Pontiac . . . 1
- Port Huron . . . 1

Minnesota (6)
- Duluth . . . 1
- Minneapolis . . . 3
- St. Paul . . . 2

Mississippi (2)
- Greenville . . . 1
- Vicksburg . . . 1

Missouri (6)
- Kansas City . . . 2
- St. Joseph . . . 1
- St. Louis . . . 3

Nebraska (3)
- Lincoln . . . 1
- Omaha . . . 2

New Hampshire (2)
- Manchester . . . 1
- Portsmouth . . . 1

New Jersey (23)
- Atlantic City . . . 1
- Bayonne . . . 1
- Camden . . . 2
- Elizabeth . . . 1
- Harrison . . . 1
- Hoboken . . . 1
- Jersey City . . . 6
- Long Branch . . . 1
- Newark . . . 3
- New Brunswick . . . 1
- Passaic . . . 1
- Paterson . . . 1
- Trenton . . . 1
- West New York . . . 1
- Union City . . . 1

New York (121)
- New York City . . . 47
- Brooklyn . . . 38
- Long Island . . . 12
- Staten Island . . . 1
- Albany . . . 3
- Amsterdam . . . 1

THOM McAN (*Continued*)

Buffalo 4
Cohoes 1
Elmira 1
Mt. Vernon 1
Niagara Falls 1
Rochester 3
Schenectady 2
Syracuse 2
Utica 2
Yonkers 2

North Carolina (3)
Charlotte 1
Raleigh 1
Wilmington 1

Ohio (27)
Akron 2
Canton 1
Cincinnati 4
Cleveland 6
Columbus 2
Dayton 3
Findlay 1
Lima 1
Lorain 1
Newark 1
Portsmouth 1
Springfield 1
Toledo 2
Youngstown 1

Oklahoma (2)
Oklahoma City 1
Tulsa 1

Pennsylvania (36)
Philadelphia 18
Ardmore 1
Allentown 1
Beaver Falls 1
Braddock 1
Chester 1
Erie 2
Lancaster 1
Nanticoke 1
Pittsburgh 5
Reading 1
Scranton 1
Upper Darby 1
Wilkes-Barre 1

Rhode Island (8)
Pawtucket 2
Providence 4
West Warwick 1
Woonsocket 1

South Carolina (2)
Charleston 1
Greenville 1

Tennessee (5)
Chattanooga 1
Johnson City 1
Knoxville 1
Memphis 2

Texas (12)
Abilene 1
Corsicana 1
Dallas 2
Fort Worth 2
Galveston 1
Houston 2
San Antonio 2
Wichita Falls 1

Vermont (1)
Burlington 1

Virginia (6)
Alexandria 1
Norfolk 2
Portsmouth 1
Richmond 1
Roanoke 1

West Virginia (4)
Charleston 1
Clarksburg 1
Huntington 1
Wheeling 1

Wisconsin (2)
Eau Claire 1
Milwaukee 1

COURDAYE SHOE STORES—2 STORES

New York 2